

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SEC-01 PA-02 PRS-01 AID-05 CIAE-00
COME-00 EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00
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FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 2159

UNCLAS OTTAWA 0181

E.O. 11652: N/A
TAGS: EFIN, CA
SUBJECT: NEW ISSUE OF GOC BONDS SELLS QUICKLY

1. SUMMARY: NEW C\$850 MILLION ISSUE OF GOC BONDS MARKETED
JANUARY 17 SOLD OUT QUICKLY, WITH EARLY QUOTATIONS OF
PREMIUM OF QUARTER-POINT OVER ISSUE PRICE. ISSUE CON-
SISTED OF THREE NON-CALLABLE MATURITIES, AND PRESS CITED
BROKERAGE COMMENTS THAT GOC BONDS WERE ATTRACTIVELY PRICED
COMPARED TO SOME RECENTLY ISSUED PRIVATE COMPANY BONDS.
END SUMMARY.

2. PRESS REPORTED JANUARY 18 THAT PREVIOUS DAY'S
MARKETING OF C\$850 MILLION ISSUE OF GOC BONDS WAS HIGHLY
SUCCESSFUL, WITH EARLY QUOTATIONS FOR BONDS AT PREMIUM
OF UP TO QUARTER-POINT OVER ISSUE PRICE.

3. BONDS CONSISTED OF THREE NON-CALLABLE MATURITIES AS
FOLLOWS:

A. 7-1/2 PERCENT BONDS DUE FEBRUARY 1, 1980, AT PRICE OF
OO.50 PERCENT TO YIELD ABOUT 7.69 PERCENT TO
MATURITY;

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B. 7-3/4 PERCENT BONDS DUE APRIL 1, 1982, AT PRICE
OF 99.50 PERCENT TO YIELD ABOUT 7.87 PERCENT TO
MATURITY;

C. 8-3/4 PERCENT BONDS DUE FEBRUARY 1, 2002 AT PRICE
OF 99.25 PERCENT TO YIELD ABOUT 8.82 PERCENT TO
MATURITY.

4. GOC WILL OPERATE PURCHASE FUND FOR 8-3/4 PERCENT BONDS, AND FINANCE DEPARTMENT PRESS RELEASE OF JANUARY 17 SAID GOC WILL TRY TO PURCHASE DURING EACH QUARTER OF EACH CALENDAR YEAR TO MATURITY AT LEAST 0.5 PERCENT OF PRINCIPAL AMOUNT, AND PURCHASE WILL BE MADE ON OPEN MARKET AT PRICES NOT EXCEEDING ORIGINAL ISSUE PRICE PLUS ACCRUED INTEREST.

5. BANK OF CANADA HAD AGREED TO TAKE MINIMUM OF C\$500 MILLION OF NEW ISSUE AND INDICATED, ACCORDING PRESS RELEASE, THAT PURCHASE WILL BE APPLIED TOWARDS REDUCTION IN LEVEL OF ITS FOREIGN CURRENCY ASSETS AS RESULT OF TEMPORARY SWAP TRANSACTIONS WITH EXCHANGE FUND ACCOUNT.

6. INVESTOR ENTHUSIASM FOR GOC BONDS DID NOT EXTEND TO REST OF BOND MARKET. ACCORDING PRESS ACCOUNTS, DEALERS STILL HOLDING UNSOLD BONDS FROM LAST WEEK'S BELL CANADA ISSUE OF C\$150 MILLION. HOWEVER, PRESS REPORTS BROKERS CLAIMED GOC ISSUE WAS ATTRACTIVELY PRICED AND DREW BROAD MARKET INTEREST.
ENDERS

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